



**Date and Time:** Tuesday, May 16, 2023 12:55:00PM PDT

**Job Number:** 197223608

## Document (1)

1. [OSFI's plans for climate makeover](#)

**Client/Matter:** -None-

**Search Terms:** "doom" and ("climate" or "eco")

**Search Type:** Terms and Connectors

**Narrowed by:**

**Content Type**  
News

**Narrowed by**

Sources: National Post (f/k/a The Financial Post)(Canada);  
Timeline: Jan 01, 2018 to May 15, 2023; All Content Types:  
News; Geography by Document: North America;  
Geography by Document: Canada

## **OSFI's plans for climate makeover**

National Post (f/k/a The Financial Post) (Canada)

May 27, 2022 Friday

All\_but\_Toronto Edition

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**Section:** FP COMMENT; Pg. FP8

**Length:** 926 words

**Byline:** Terence Corcoran, National Post

### **Body**

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Calling Captain Kirk! Calling Captain Kirk! This is an urgent message for Stuart Kirk, suspended global head of responsible investing at HSBC Asset Management, who recently delivered a scathing critique of the global **climate** regulatory machine that threatens to stifle the investment market. Attention Captain Kirk! Please immediately beam yourself into Canada.

Your mission: Head straight to the Office of the Superintendent of Financial Institutions (OSFI) in Ottawa and help ward off Canada's leading bank and pension fund regulator, which on Thursday announced plans to impose a "prudential framework that is more **climate** sensitive and recognizes the impact of **climate** change on management risk." And while you're flitting about the North American continent, whiz down to New York, where the Securities and Exchange Commission is also gearing up an unprecedented **climate** risk machine that critics say could impose major costs and distortions to the U.S. investment industry.

But come to Canada first. The SEC **climate** plan already has critics, as does the U.S. regulator's latest move Thursday to clamp down on corporate ESG reporting. Among others, America has Elon Musk, who recently called environmental, social and governance (ESG) operations "a scam."

Canada has no Musks. Canada's corporate and financial elites are unwilling or unable or too scared to face down the climatism mob the way you, Captain Kirk, did so effectively in your recent talk at a London conference boldly titled: "Why investors need not worry about **climate** change." As the Wall Street Journal put it, "Credit to Mr. Kirk for exposing the hubris of the regulatory **climate** emperors even as his superiors shrink in fear."

So come to Canada, where Ottawa's financial regulator, OSFI, has not received the news that the **climate** scare promoted this week by the World Economic Forum gabfestians, along with former central banker Mark Carney, are nothing but apocalyptic warnings of **doom**.

OSFI on Thursday issued "draft guidelines" for how banks and other federally regulated financial institutions will be forced by 2024 to manage their **climate** risks via a massive and complex series of rules and instructions on how to handle and prepare for the alleged catastrophic risk that the planet could face by 2100.

If the Canadian legal community does its job with the effectiveness of its U.S. counterpart, the guidelines should come in for a comprehensive critical review. The 5,600-word draft is a tangle of clauses and footnotes and links that should keep any bank's legal, sustainability, accounting and ESG departments tied up for the next couple of decades. A typical clause instructs that any bank or other Federally Regulated Financial Institution (FRFI) "should incorporate **climate**-related risks into its internal monitoring and reporting of business performance and risk management effectiveness. It should monitor and report on relevant internal metrics, limits, and indicators to assess the effectiveness of its **climate** risk management. It should also monitor and report on internal targets to assess the

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FRFI's progress in managing its physical risk exposures and transition towards a low-GHG economy, consistent with its Plan."

Significantly, the whole project is a product of agencies set up by Mark Carney, former governor of the Bank of Canada and the Bank of England. The OSFI guideline comes with the introduction of "mandatory climate-related financial disclosures" in alignment with the work Carney's international Task Force on Climate-related Financial Disclosures, which in turn is the mind-blowing regulatory product of Carney's work when he chaired the international Financial Stability Board.

In your comments, Captain Kirk, you noted Carney's role: "I completely get that it is the end of your central bank career there are so many, many years to fill in ... You've got to fly around the world to conferences, you've got to out-hyperbole the next guy. But I feel like it's getting a little bit out of hand. The constant reminders that we are doomed, the constant reminder that within decades, it's all over."

In Canada, the current leaders of the Bank of Canada are still running on the Carney agenda. The OSFI announcement Thursday of draft climate reporting guidelines is the direct product of a 2020 joint pilot project between OSFI and the Bank of Canada "to use climate-change scenarios to better understand the risks to the financial system related to a transition to a low-carbon economy." A small group of institutions from the banking and insurance sectors helped with the project, including some of the usual corporate suspects: RBC, TD, and Intact Financial.

The pilot project findings, "Using Scenario Analysis to Assess Climate Transition Risk," were issued in January 2022. They included support for the idea that all financial institutions should be running their operations through various global climate scenarios that attempt to map the future of the economy out to 2050 and beyond. The scenarios include all options, from Net Zero 2050 to one where not much changes from current climate policies.

Climate change policy is not the role of the Bank of Canada, as Matthew Lau pointed out on this page the other day.

And as you noted in your comments, Captain Kirk, nobody invests to secure returns up to a century into a hypothetical future. As you say, the debate about what may or may not happen in the long-term future is irrelevant to what happens over the next 20 years of investment returns. !@COPYRIGHT=© 2022 Postmedia Network Inc. All rights reserved.

## Classification

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**Language:** ENGLISH

**Document-Type:** News

**Publication-Type:** Newspaper

**Subject:** ETHICAL INVESTING (90%); BANKING & FINANCE REGULATION (89%); ESG FACTORS (89%); NEGATIVE PERSONAL NEWS (89%); SECURITIES LAW (89%); CLIMATE ACTION (78%); CLIMATE CHANGE (78%); ESG FACTORS - ENVIRONMENTAL (78%); RISK MANAGEMENT (78%); SECURITIES & OTHER INVESTMENTS (78%); SUSTAINABLE DEVELOPMENT (78%); SUSTAINABLE INVESTING (78%); BANKING & FINANCE SECTOR PERFORMANCE (77%); REGULATORY COMPLIANCE (77%); US FEDERAL GOVERNMENT (77%); SOCIETY, SOCIAL ASSISTANCE & LIFESTYLE (74%); ECONOMY & ECONOMIC INDICATORS (73%); FRAUD & FINANCIAL CRIME (72%); PENSIONS & BENEFITS LAW (72%); CENTRAL BANKS (71%); ESG FACTORS RATINGS (71%); calling,captain,urgent,message,stuart,suspended (%)

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**Industry:** ETHICAL INVESTING (90%); BANKING & FINANCE (89%); BANKING & FINANCE REGULATION (89%); SECURITIES LAW (89%); BANKING & FINANCE REGULATION & POLICY (78%); RISK MANAGEMENT (78%); SECURITIES & OTHER INVESTMENTS (78%); SUSTAINABLE DEVELOPMENT (78%); SUSTAINABLE INVESTING (78%); ACCOUNTING (77%); BANKING & FINANCE SECTOR PERFORMANCE (77%); CENTRAL BANKS (71%); ESG FACTORS RATINGS (71%)

**Person:** ELON MUSK (55%)

**Geographic:** OTTAWA, ON, CANADA (88%); CANADA (93%); UNITED STATES (93%); NORTH AMERICA (79%)

**Load-Date:** May 27, 2022

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